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**MAINTAINING GROWTH AND SUSTAINABLE STRATEGY IN BROWN SUGAR
BUSINESS, AND THE INVESTMENT FINANCING ALTERNATIVE DECISION
(Case Study: CV. DELOVRY SUKSES GEMILANG)**

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Abstract—CV. Delovry Sukses Gemilang (CV. DSG) is a brown sugar supplier from manufacturers in Maron Village, Blitar, to the warehouse of distributors which is located in Tambun, Bekasi. In doing the business, CV. DSG provides the working capital to the collectors in Blitar to produce and pack the brown sugar. Fluctuating commodity prices of sugar cane leads CV. DSG to be difficult to continually maintain the business and shipping costs which is a way further from Blitar to Bekasi. These issues lead CV. DSG to be difficult to compete with the other brown sugar suppliers from other regions with a closer mileage from Bekasi. To grow and maintain its business, CV. DSG uses the PRIME analysis to identify the existing opportunities. After CV. DSG drafts a business strategy namely short-term strategy (distributors) in 2013, medium-term (factory build), long term (plant cane), the company then invents the scenario analysis on the influential factors that will affect the sugar business generally. The scenario analysis is made on each feasibility study with the proportion of the debt: equity 60%: 40%. In addition, CV. DSG also conducts a feasibility study of the alternative funding to 40% the proportion of equity. From the calculation of the feasibility study by considering the payback period criteria 6 years, NPV IDR 891.417.628, IRR 28,94%, ROI 18,35%, ROE 45,88%, BBP 22,60% and the capacity 2,53, it is shown that the business strategy of CV. DSG in the brown sugar field is feasible and the funding is completed.

Key words: brown sugar business, business strategy, Scenario analysis, Feasibility study, Alternative investment.

1. Introduction

Sugar is one of the nine basic needs that the procurement and distribution is regulated by the government. In contrast with the-white sugar, the procurement and distribution of brown sugar is not regulated by the government. In the beginning, brown sugar was made from palm roomies and coconut roomies. After cane entered Indonesia, brown sugar manufacture has been changed into the sugar cane. (Wirioadmodjo *et al.*, 1984). Brown sugar industry is traditionally managed by farmers' families from one generation to another by using home industry. It is necessary to conduct a research on CV. Delovry Sukses Gemilang, a brown sugar company in Maron Village, Blitar. In Maron, producing brown sugar is farmers' alternative economic activity besides the cane sales to the factory. This alternative industry is able to be a substantial income for farmers/brown sugar entrepreneurs. Most of small and medium scaled businesses in Indonesia only relatively last for such a short time. A great strategy and management is essential in relation with the success of the business in order to make the business to be able to grow and survive in the competition.

CV. Delovry Sukses Gemilang (DSG) is a family company with the focus on the sugar industry. The company was established in 2010 and derived from the idea to empower the rural economy, especially in Blitar areas. CV. DSG is a brown sugar supplier for the traditional markets in Bekasi, Cikarang and Tangerang as the company's target market with the company's main distributor located in Tambun,

Bekasi. Hariyadi is the founder and the Director of CV. DSG. The beginning of the business was being a consultant for the owner's of oil and white sugar main distributor in Bekasi which had the similar beginning of being in a distribution business. Good relationship with the main distributor and rich production in Blitar encouraged the idea to establish a business in supplying this Blitar brown sugar. The main distributor was assigned to find a great market for this business and then Pasar Baru and Pasar Cikarang were achieved to be regular customers since 2010 throughout a long process for about a year.

1.1 Objective research

The purpose and benefits of this research is to plan strategies that will be used by CV. DSG in the short-term, medium-term and long-term to grow and sustain the continuity of business in the brown sugar industry. This study also intends to provide an alternative solution of necessary funding strategies to be implemented in the short-term, medium-term and long-term by CV. DSG.

2. Business Issue Exploration

2.1 Contextual Framework

The conceptual framework in this project is described in the figure 1 below:

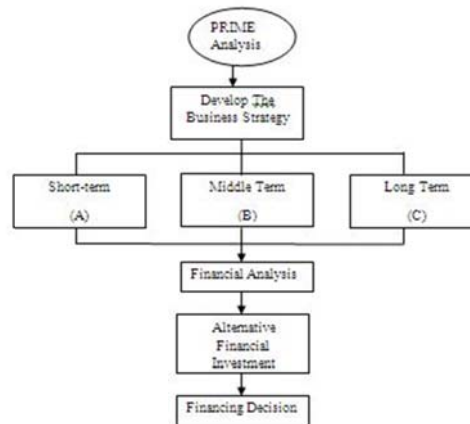


Figure 1 Contextual Framework

2.2 Business Situation Analysis

The analysis business situation used PRIME as its framework. PRIME analysis is a framework for evaluating business startup, expansion, or acquisition opportunities. As the recent study indicated, the environment for the start-up business consists of heightened awareness and the increasing documentation of entrepreneurial activities, the increasing speed with venture opportunities which are often evaluated, growth in type and numbers of entrepreneurship programs, and a continuing probability of informal funding such as families, friends and entrepreneur themselves, will be the primary funding for start-up business (Cox and Hay, 2002). Thus, the PRIME analysis was designed to help entrepreneurs, investors and entrepreneurship students and evaluate venture opportunities.

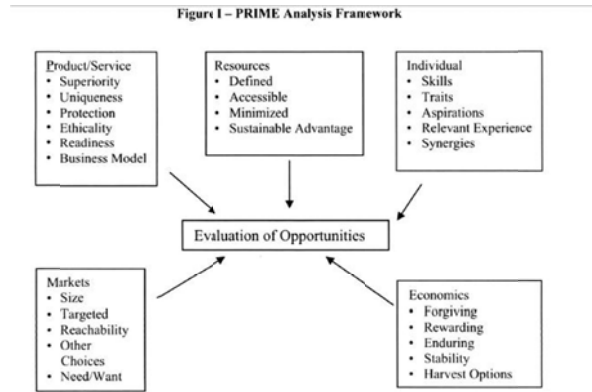


Figure 2. PRIME Analysis Framework

Evaluation of product, services and process using the mnemonic word here is S-U-P-E-R-B. S-U-P-E-R-B consists of Superiority, Uniqueness, Protection, Ethicality, Readiness, and Business Model. Evaluation of resources evaluation using the mnemonic word here is D-A-M-S, and the categories of resources to consider include financial, social, human, physical, technological, organizational etc. D-A-M-S are Defined, Accessible, Minimized and Sustainable. Evaluation of individual entrepreneurship using the mnemonic word here is S-T-A-R-S is Skills, Traits, Aspirations, Relevant Experience, and Synergies. Evaluation of market evaluation The mnemonic work here is S-T-R-O-N-G. S-T-R-O-N-G are Size, Targeting, Reachability, Other Choices, Needs and Growth. Evaluation of The mnemonic word here is F-R-E-S-H. F-R-E-S-H are Forgiving, Rewarding, Enduring, Stable and Harvest Options. Ratings in PRIME Analysis are main advantage (++), advantage (+), netral (0), disadvantage (-), main disadvantage (--). Ratings resource from indeep interview with expert and CV. DSG owner because they really know that business should implementation (class handout Innovation, 2013). After evaluation PRIME the conclusion is area that a lot negative rating and it should be improve by company. The improvements made by the company are clearly illustrated through the strategy pursued.

There are a lot points negative in resource evaluation and it makes sense with CV. DSG constrain now so CV. DSG must improvement in resource evaluation especially in sustainable advantages. Explained in sustainable advantages companies controlled by the factory in Maron, Blitar so if commodity prices rise CV. DSG difficult to offer sugar for the amount ordered by the customer. The limited resources which produced related to working capital owned by CV. DSG today so the CV. DSG should reduce the cost of production be able to offer the brown sugar with larger quantities and to expand its target market.

2.3 Flow of Production Process

Stages in the production process brown sugar CV. DSG consist of grinding, cooking, congelation, printing, packaging, and storage.

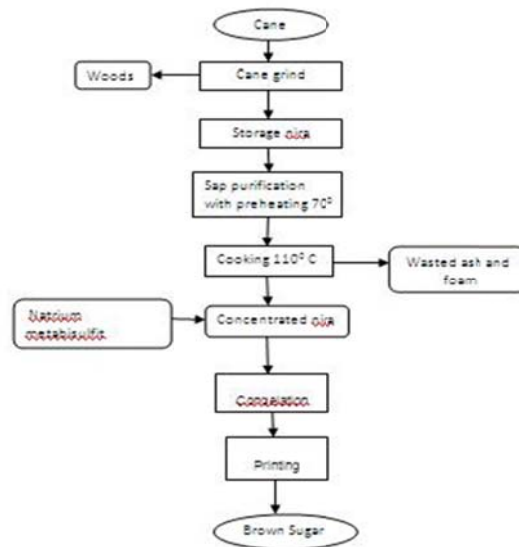


Figure 3. Flow chart brown sugar production processes

2.3 Root Problem

Now CV. DSG act as a supplier of brown sugar from Blitar to warehouse distributors in Tambun Bekasi only gain about 10% per month per shipments approximately 7 tons. As an example for the current brown sugar price based on information from the manufacturer about IDR 8,500 per kg and CV. DSG sells to distributors for IDR 9,200 so that profits by 10% without CV. DSG knowing that the price IDR 8,500 is determined by the manufacturer for that use resources in sugarcane cropping pattern by the owner or bought from brokers. While at PRIME analysis explain that the constraints experienced by CV. DSG in the area of resource evaluation. With lack of resource evaluation CV. DSG should using low cost of productivity to grab large market.

CV. DSG included in a newly established company with so many opportunities to explore in order to make the company grows and survives among the competition. The short-term, medium-term to long-term strategies are required for the company to be self-sufficient so they can excel in terms of cost and continue to supply sugar in between the untrammelled raw material prices which are not stable and the other external factors. With the existence of such strategies creation for CV. DSG, the current financial analysis and the future projects after the strategies implementation are aimed to be able to attract the external funding and to provide the company with the greater efforts. After implemented three strategies are expected CV. DSG can earn additional benefits that had been earned by the factory in Maron, Blitar.



Figure 4 .Expected Margin from Implementation Strategy

In figure 2.9 shows the expected state CV. DSG after pursuing a strategy of short-term, medium term and long term. The price of the commodity cane IDR 650,000 and CV. DSG needs to process brown sugar

according with factory capacity by 14 tons of cane required needs around 120 tons of cane equal to IDR 78 million. COGS prices result from IDR 78 Million divided by 10,800 kg/ha brown sugar so COGS prices that processed in factory owned by CV. DSG for IDR 7,222 / kg. The finished goods (brown sugar) sell IDR 8,500 / kg, the profits generated by the company is 18%. Brown Sugar sells to the main distributor IDR 9,200/kg, the profit generated by the company from this activity is 10% so the total margin obtain by CV. DSG if implementation three strategies is 28%.

3. Business Solution Alternative

Business strategy which will be implemented by CV. DSG related to these three strategies will be gradually conducted due the consideration towards several resources factors currently owned by CV. DSG. The implementation plan of the business strategy is as follows:

1. Short-term strategy

In the short term, which will be performed in 2013, CV. DSG will still perform its role as a distributor. CV. DSG provides working capital to the collectors in of Maron Village, Blitar, to find raw materials, to produce and to pack Gumertop product. When packaging process is completed, CV. DSG conducts the delivery from Blitar to the warehouses in Tambun, Bekasi. Finally, the product will be distributed from the warehouse to be sold to Pasar Baru and Pasar Cikarang as the regular costumers of CV. DSG since 2010.

2. Middle-term strategy

In the middle term which will be conducted in 2014 to 2018, CV. DSG will build a factory in Maduretno Village, Papar, Kediri, the raw material purchasing status will be obtained from the residents of surrounding villages. This location is chosen due to its closeness from the home of Director CV. DSG which will lead to the easier coordination for the plant operation process and to save the cost for the output products storage place before the delivery to Bekasi so the company will be able to save the rent cost. The location has many sugar cane planted lands so they can save the time for the raw materials procurement. The factory construction is planned to be finished in about a year, so CV. DSG will still serve as the distributor. By 2015, CV. DSG will carry out its role as a manufacturer and also Gumertop distributor.

3. Long-term strategy

The long term began in 2018 that CV. DSG will start planting its own land with sugar cane so they can independently supply the needs of the raw materials which were previously purchased from the farmers. The sugar cane will be planted in Maduretno Village in Papar for it has many sugar cane lands for rent and it is also close to the factory so the company can save the sugar cane delivery cost from the field to the factory. Cane is harvested four times in a year. CV. DSG will still buy the raw materials for cane production in order to wait the first cane harvest and after that, the company will fulfill the raw materials needs by its own crop. After the raw materials are processed in the factory of CV. DSG itself, the output products will be distributed to the markets in Bekasi and its surroundings.

3.1 Sensitivity Analysis

The growth assumption is calculated according to the average growth factors in Indonesia, the experience of CV. DSG in brown sugar trading and the result of deep interviews with the experts. The influencing growth factors are calculated according to three scenarios namely pessimistic, most-likely and optimistic. The sensitivity factor calculation is the main influential thing in the brown sugar business according to the Crystal Ball calculation. Crystal Ball sensitivity calculation is aimed to provide positive NVP towards this business strategy among any influential factors. Factors that influence brown sugar business are Sales Price, Commodity Price, Amount Sales, Salary, Solar, Packaging, Added Material, Interest Rate, Inflation, Seed Price, Maintenance, and Land Rent.

3.2 Feasibility Analysis

The feasibility study of the business strategic to analysis the choice of strategic is feasible or not based on three scenario pessimistic, most likely and optimistic. In order to conduct the feasibility study, several elements have to be estimated, namely:

- a) Revenue
To project the revenue, the calculation is based on trading of brown sugar.
- b) Expenses
The expenses estimated in this project are truck lease and fee helper.
- c) Initial Investment
The initial investments in this project consist of building factory.
- d) Cash Flow Calculation
Free cash flow is the available cash that can be distributed among the equity holders and debt holders of the company. Free cash flow also used to conduct the feasibility study
- e) Cost of Capital
Cost of Capital used as the discount rate in the calculation of feasibility study. Cost of capital consists of cost of equity and cost of debt.

After all the above elements are defined, the feasibility study was conducted. The output from the feasibility study are the calculation of Net Present Value (NPV), calculation of Internal rate of Return (IRR), calculation of PayBack Period (PBP), calculation of Return on Investment (ROI), and calculation of Return on Equity (ROE).

The following table 1 described the feasibility study of the each scenario.

Criteria	Pessimistic	Most Likely	Optimistic
Pay Back Period	5 years 9 month	6 years	4 years
NPV	539.467.388	891.417.628	1,065,064,492
IRR	24,60%	28,94%	31,19%
ROI	14,61%	18,35%	20,59%
ROE	36,52%	45,88%	51,47%
BBP	18,10%	22,60%	25,61%
Capacity	1,96	2,53	2,95

3.3 Analysis Business Solution

CV. DSG's steps to obtain the funds from other parties can be realized and supported by the feasibility study results which state that this expansion project is a feasible project. CV. DSG will obtain the assistance from the investor for IDR 320 Million with the agreement that the IDR 320 Million invested funds should be returned by CV. DSG with the maximum payback period for 7 years and the investor will obtain the profit sharing for 50:50 of the 60% from net income of the new project. The investor for CV. DSG is selected by the investor from distributor partner of CV. DSG because this investment ensures the company to always supply the brown sugar to the distribution partner. This is resume feasibility study for investment alternative CV. DSG.

Table 4. Feasibility study investment alternative

Criteria	Pessimistic	Most Likely	Optimistic
Pay Back Period	6 years 6 month	5 years	3 years
NPV	782.691.966	1.030.166.147	1.128.728.585
IRR	42,8%	48,93%	53,33%
ROI	29,64%	36,03%	39,17%
ROE	59,29%	72,07%	78,34%
BBP	36,89%	44,65%	49,07%
Capacity	3,65	4,38	4,67

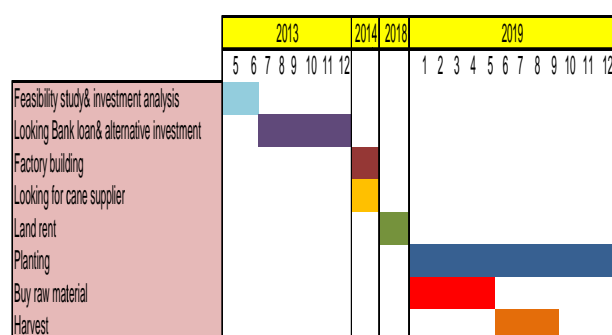
3.4 Alternative Financing Options

CV. DSG can choose alternative financing with buy land from Angel Capital with interest 25%. Buy land in Kediri in budget IDR 540,000,000 Million for building factory wide 3750 m². The factory building can be use as assurance to BNI Syariah for purposing credit rent a cane land. In middle term and long term combine to implementation in one time, CV. DSG won't need space of time 5 years as explain before. For securing land CV. DSG using inti plasma model. CV. DSG gives capital to farmers. The capitals are cost of planting, seed prices and maintenance with IDR 135 Million. Farmers have responsibility to supply full their crop of cane to CV. DSG factory, the payment decrease from cost that borrow before in order to plant cane. This idea for securing land purposed farmers don't supply their crop to white sugar factory.

4. Implementation

From the analysis is obtained that short term, middle term and long term strategic are applicable to implement. The next is scheduling the implementation plan.

Table 3. Timeline of Business Strategy Implementation



CV. DSG will be still performing its role as a distributor in 2013 while preparing the way of the business strategy implementation. That needs to be prepared are the project's feasibility and the required funds analysis. Furthermore, CV. DSG will apply for the credit from BNI Syariah Bank and finds the alternative financing beside the bank.

When the credit is obtained, CV. DSG will start to prepare for the factory construction for approximately one year. During the factory construction period, CV. DSG will continue to perform its role as a distributor while look for future sugar cane supplier for the factory.

CV. DSG will begin to find the rent land rent in 2018 to plant the cane according to the long-term strategy implementation which requires the ownership of sugar cane fields. CV. DSG will start to grow sugar canes in 2019. The first three months of the plantation, CV.DSG will buy raw materials from previous cane suppliers that will be used for the production process.

5. Conclusion

The conclusions that can be drawn from the study are as follows:

1. CV. DSG in its business as a supplier of brown sugar will implement the business strategy to grow and maintain its business by using the short-term business strategy (distributors) in 2013, medium-term (factory building) in 2014, and long-term sugarcane plantation in 2018.
2. To be able to run the project, CV. DSG implements the scenario analysis which are pessimistic, most likely and optimistic to consider the influential factors that affect the CV DSG business i.e. sales price, commodity price, number of sales, payroll, packaging, additives, interest rates, inflation, the price of seeds, maintenance, leased land.
3. From scenario analysis, there will be a feasibility study which is conducted for each scenario to get the results whether the project is feasible to implement or not. After conducting a feasibility study with the proportion of the debt: equity of 60%: 40% for Pay back period criterion, NPV, IRR, ROI, ROE, BBP, and capacity, it has been shown that the business strategy of CV. DSG is feasible and will be given credit by Bank BNI Syariah.
4. Equity at 40% usage or equivalent at IDR 320 Million CV. DSG will invite investors to fund its business as an alternative to debt financing, to test its feasibility using feasibility study conducted back. From the feasibility study for alternative funding using the interest rate of 25% for Pay back period criteria, NPV, IRR, ROI, ROE, BBP and capacity proved that the proposed alternative funding of CV. DSG is feasible.
5. CV. DSG can choose alternative financing with buy land from Angel Capital with interest 25%. The factory building can be use as assurance to BNI Syariah for purposong credit rent a cane land. For securing land CV. DSG using inti plasma model. CV. DSG gives capital to farmers. Farmers have responsibility to supply full their crop of cane to CV. DSG factory, the payment decrease from cost that borrow before in order to plant cane.

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